Munitions Executive Summit Conference 2009

By Edgar Fossheim
President & CEO
Nammo Group

Industry Keynote

- Nammo, A Special Solutions Provider
- The Market
- Why is USA important?
  - Is Nammo important to the US?
- The Nammo Approach
  - Examples of present and future Nammo products in the US
- Future Needs
- How will the Munitions Business Develop?

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Nammo, A Special Solutions Provider!

”Our way to success is to ensure that the soldiers on the battlefield have the best ammunition available to be successful

Our focus is always

Accuracy and superior terminal effects!”

Nammo

Nammo Intro

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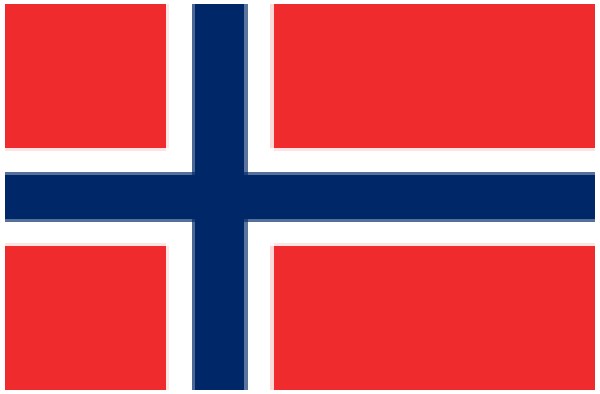
Ownership

- 50% - 50% between:

MINISTRY OF TRADE AND INDUSTRY



Patria

Nammo

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Nammo In Brief

- 1800 Employees
- 17 Production Facilities in 6 Countries
- Sales approx. 500 Million USD
- 71% Export outside Finland, Sweden and Norway (2007)
- 38% Sales to North America (US/Canada)
- Core Business:
  - Ammunition, Shoulder Fired Weapon Systems, Rocket motors, Demilitarization

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How do we like to operate?

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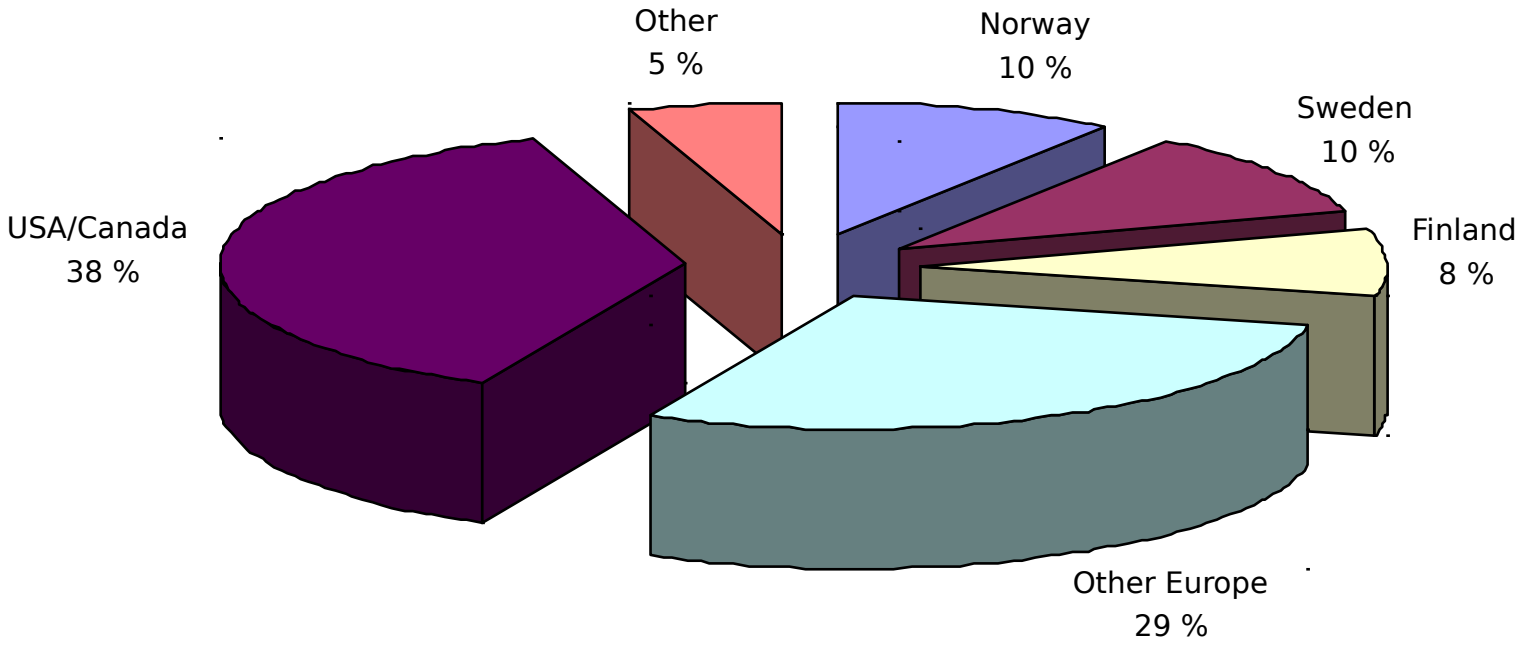
Sales

Total 500 MUSD

Distribution 2007



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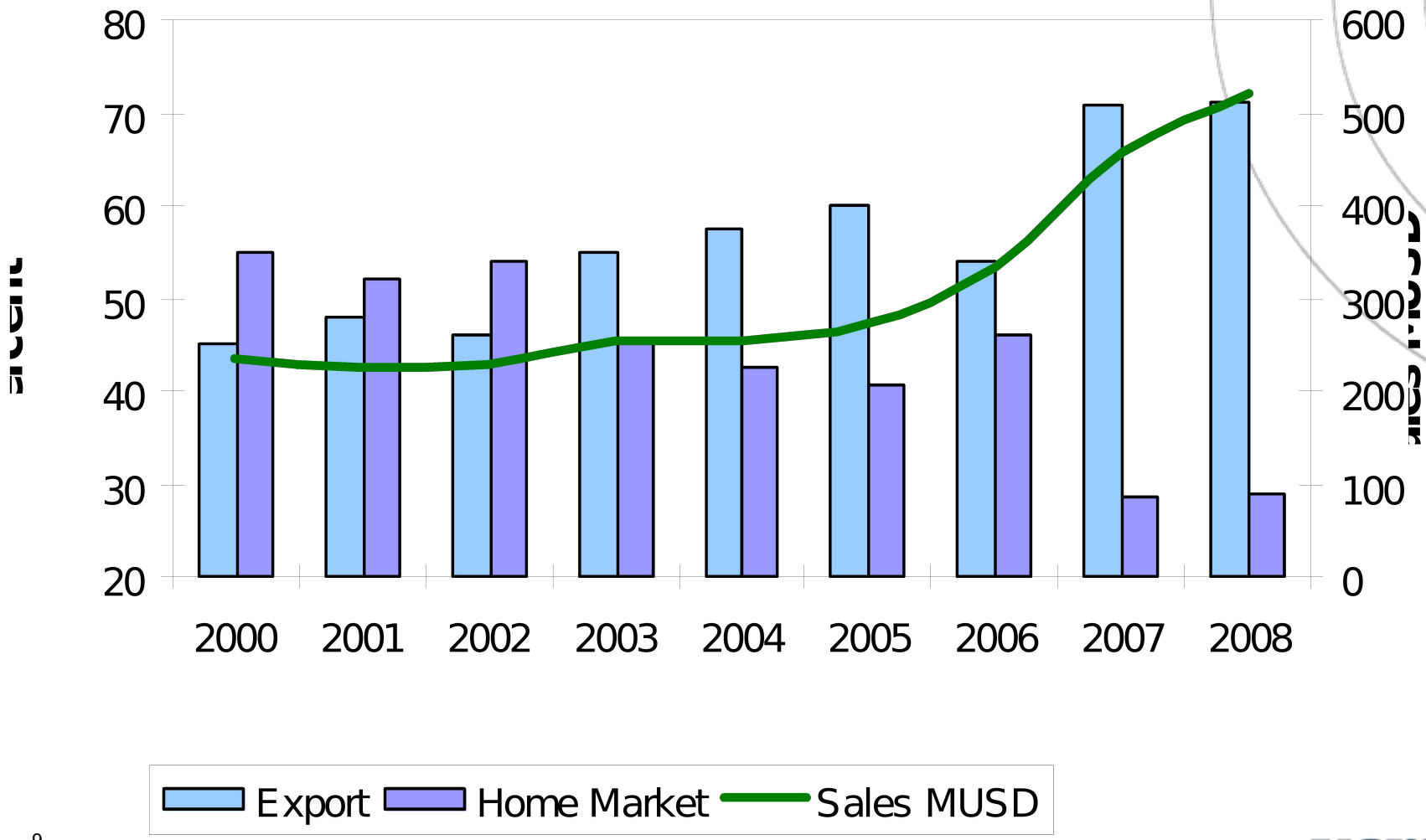
Sales and Home Market / Export



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Strong Position in The Nordic Home Market

- Fundamental for new product developments
  - Governmental funding for R&D
  - Major new Joint Nordic Programs for Artillery and Mortar Systems
- A Total Supplier of Small Caliber
- Dominant in Medium and Large Caliber
- Major Player in Missile Programs
- Demilitarization
- Life Cycle Support

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Worldwide Cooperation and Alliances

KONGSBERG

Nammo

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Obstacles and Hurdles to Overcome

- Several levels of regulatory compliance
  - National Export Regulations
    - Controlling which technology can be exported and to which country
  - International Traffic in Arms Regulations (ITAR)
    - Controlling the import and export of defense articles
  - Special Security Agreement (SSA)
    - Required for a US Company operating under foreign ownership
  - Technical Assistant Agreement/Manufacturing License Agreement
    - Time consuming and complicated
  - Intellectual Property Rights (IPR)
    - Risks for both parties
- In spite of all this, why is it still worthwhile…

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"There is at least one thing worse than fighting with allies
– And that is to fight without them“

Sir Winston S. Churchill

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Why is USA important?

- Biggest and most important market in the world
- A market where the customer and the industry communicates at an equal level
- Leader in implementation of new technologies
- A great reference in the world market

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The Nammo Approach

- Focus on High End Niche Products
- Close Dialog with the Users
- FCT Programs
- A Partner with US Industry

  - Not necessarily a competitor

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The Nammo Approach

- Acquisition of US companies to achieve;
  - Local Presence – Closer to the Customer
  - Part of the “US Team”
  - Working from inside US regulations
  - Onshore production - Security of Supply
  - In-house Knowledge of a Major Customer and his Acquisitions Systems
- Selling to the US from the outside compared to from the inside
  - Two completely different approaches!

Nammo Talley

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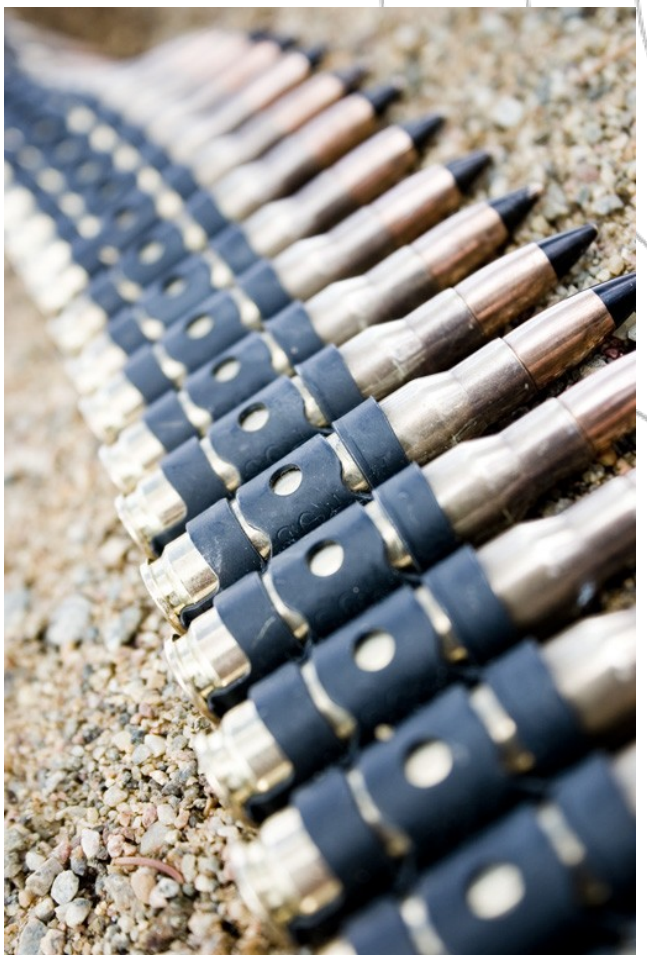
Nammo

Examples of Present and Future Nammo Products in the US

- **5,56 and 7,62 AP Ammunition**
- Lapua .338 Sniper Ammunition
- .50 cal (12,7) MP Ammunition
- APEX Ammunition
- 30mm APFSDS
- 40mm HV GL Ammunition (Air Burst)
- 57mm Naval Ammunition
- Shoulder fired weapon systems
  - M72 Family
  - BDM
  - SMAW
- 70mm MPP
- 120mm IMHE
- Rocket Motors (ESSM, Sidewinder etc.)
- Demilitarization



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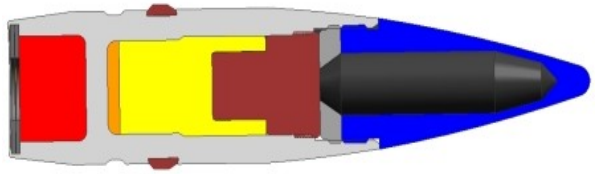

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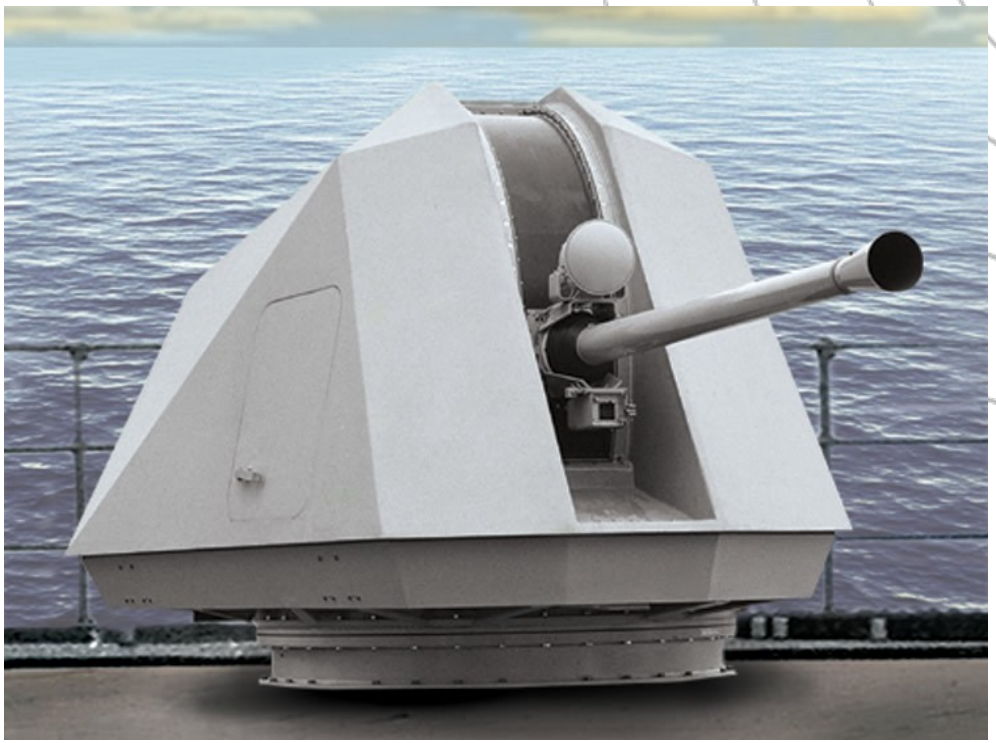

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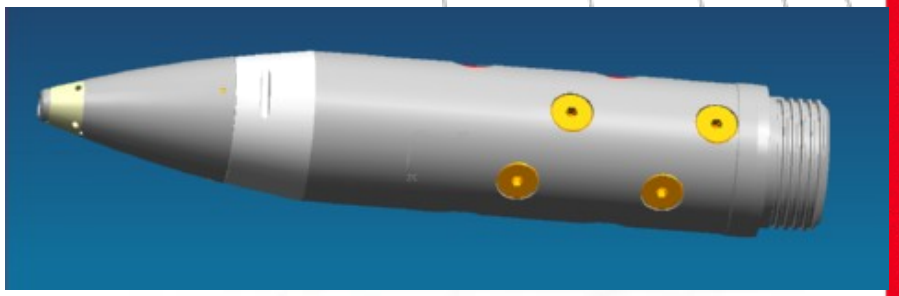

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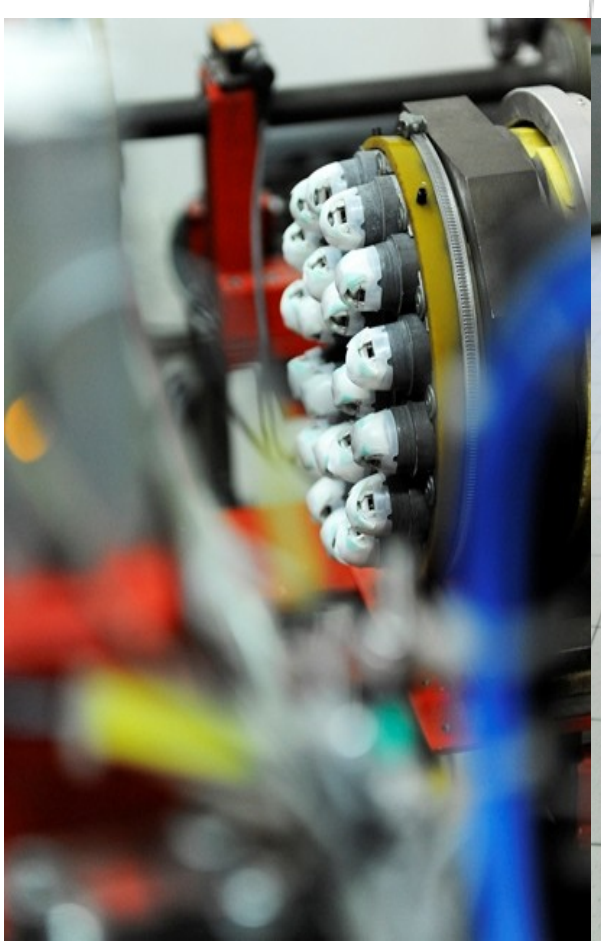

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Future needs

- Today’s ammunition is really high tech!
- ”Looks the same, but new materials and compositions inside”
- From large to small Quantities, to High Quality and often Tailor-made Solutions
- Capabilities must address:
  - Insensitive Munitions (IM)
  - Collateral Damage
  - Transportability
  - National and NATO requirements in combination
  - Interoperability
  - Environment
  - Storage
- Development is usually evolutionary and not necessarily revolutionary!
- Smart and Affordable Solutions Will be the Winner!

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How will the Munitions business develop?

- Continue to Consolidate? Thus building Big System Houses?
  Or…
- Maintain Independent Ammunition Houses?
- One door policy - Constraining the customer to one system
  Or…
- The choice of selecting the best ammunition supplier
- We think:
  - Initially tempting to follow ”one door policy”

  But..
  - Maybe inflexible and costly in the long run

Therefore we believe there is plenty of room for Independent Ammunition Houses!

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- Paramount for NAMMO to continue the close cooperation with our customers

- To make sure that NAMMO never comes close to the statement of the present Canadian Chief of Staff Gen. Walter Natynczyk:

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“The further you work from the sound of the guns, the less you understand”

Canadian Chief of Staff Gen. Walter Natynczyk

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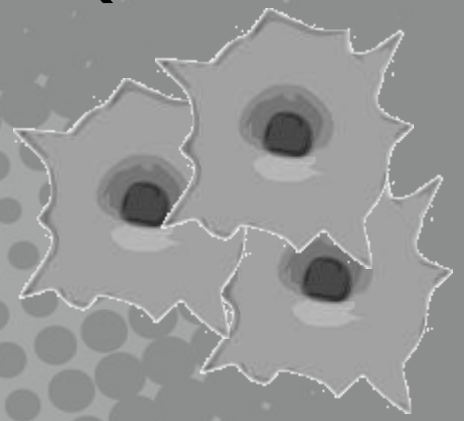
Questions?



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